REPORT OF THE STUDY COMMITTEE ON EQUALIZED ASSESSMENT

Alberta
MUNICIPAL AFFAIRS
Assessment Equalization Board

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Honourable Julian Koziak
Minister of Municipal Affairs

Sir:

The Committee to Study the Policies and Procedures for Preparing Equalized Assessment is pleased to submit its report for your consideration.

Rene Gagne, Chairman

Les Miller | Hugh Impey | Bill Weber

Adrian Waters | John McGowan | NOT IN ATTENDANCE
Alison Vaness

Lucille Dougherty | Wallace Daley | Madeleine Paul

R.E. Roy | NOT IN ATTENDANCE
Bill Anderson | Larry Goodhope

Deryk Norton | Bill Babey

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TERMS OF REFERENCE

The Committee was established by the Chairman of the Assessment Equalization Board in order to consider and respond to three criticisms of equalized assessments made by both municipal spokesmen and ratepayers namely:

1. equalized assessments are not generally understood;

2. municipalities and ratepayers believe they have no input into the process;

3. equalized assessments are generally seen as a control function for requisitions.

The objectives identified for the Committee in the letter of appointment were:

1. to make equalized assessment more understandable and, if possible, to simplify the process;

2. to study and, if necessary, recommend proposed changes to equalized assessment for the consideration of the Minister;

3. to study the apportionment of linear property, the "Ramsay Formula" Section 93(5) and (6) of the **Municipal Taxation Act** (Uniform Tax Rate on Electric Power and Pipeline Assessments) and, if necessary recommend change;

4. to prepare a technical report which would be circulated to all interested parties which would explain the rationale and technique of the equalization process and the "Ramsay Formula".

MEMBERSHIP

The Committee members are:

Alberta Assessment Equalization Board

Mr. R. Gagne, Chairman,
Alberta Assessment Equalization Board

Mr. A. Waters, Vice Chairman,
Alberta Assessment Equalization Board

Mr. L. Miller,
Reeve, County of Parkland
Member, Alberta Assessment Equalization Board

Mr. H. Impey,
Mayor, City of Grande Prairie
Member, Alberta Assessment Equalization Board

Mr. W. Weber,
Field Administrative Officer,
Alberta Education,
Member, Alberta Assessment Equalization Board

Association of School Business Officials

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Secretary-Treasurer
County of Wetaskiwin #10

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Mr. R.E. Roy
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Mrs. A. Vaness
Trustee,
Calgary Board of Education

Alberta Catholic School Trustees Association

Mrs. M. Paul
Trustee,
Peace River R.C. No. 43

RESOURCE STAFF: Alberta Municipal Affairs

Assessment Inspection & Advisory Services

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Manager, Assessment and Taxation

Alberta Assessment Equalization Board

Mr. R. Kozack
Secretary,
Alberta Assessment Equalization Board

COMMITTEE PROCEEDINGS

The Committee held ten meetings in Edmonton in 1981, 1982 and 1983 at which it considered submissions prepared by its resource staff, by members of the Committee and by other interested groups.

During the meetings it became apparent that equalization and equalized assessment cannot be considered without a complete understanding of assessment and how it is administered in Alberta.

Equalization provides a basis for the apportionment of requisitions, grants and, ultimately, tax burdens. No matter how effectively the equalization process is administered, it cannot address the more global issue of rising local government expenditures that must be financed from a relatively stable property tax base. It is clear to the Committee that the problems of local government finance and increasing tax burdens will not be solved through assessment equalization in either its current or an improved format.

With these qualifications in mind, the Committee has attempted to develop a framework for the equalization process that will prove easily comprehensible to administrators and will facilitate the apportionments required by requisitioning programs.

For the most part, the issues considered by the Committee were of a highly technical nature; many of them relate to controversial and politically sensitive questions. The Committee wishes to express its thanks to its resource staff who were able to present the material objectively and thoroughly.

SUMMARY OF RECOMMENDATIONS

Understanding Equalized Assessment

The Assessment Equalization Board be responsible for increasing the awareness and endeavouring to improve the understanding of equalized assessment among municipal, school and hospital administrators, elected representatives and the general public.

The Equalization Process: Simplification and Timeliness

(i) The system for calculating and reporting equalized assessment be computerized in 1984 for production of 1985 equalized assessments.

(ii) Annexations and municipal incorporations be effective on January 1st of the year following the date of the orde

(iii) **The School Act** be amended to permit the declaration of separate school support to be made in advance of the effective date of annexation.

Improving the Assessment Equalization Process

(i) Machinery and equipment be made taxable in all circumstances and included in the determination of equalized assessment. Assessment for business taxes continue to be excluded from the determination of equalized assessment.

(ii) Equalized assessment used for apportionment purposes be calculated as the average value of the equalized assessment determined for that year and the previous two years.

(iii) For purposes of the School Foundation Program, a vacant residential parcel owned by an Alberta resident who owns no other residential property in the Province be exempt from the Foundation tax levy.

(iv) Adjustments for construction cost differentials between Edmonton and other areas of the Province not be made.

(v) The equalized assessment continue to be reported at twenty percent of the full value.

(vi) Residential land in summer villages be equalized on the same basis as other residential land, according to its market value.

(vii) The data used in the calculation of equalized assessment be subjected to audit.

The Assessment Cycle

The Department of Municipal Affairs undertake a comprehensive feasibility study to determine the costs and identify the benefits of maintaining actual assessments on a current basis.

Review of Equalization

(i) A municipality should have the right to request the Assessment Equalization Board to review its equalized assessment before it is officially confirmed by Board Order.

(ii) The decision of the Assessment Equalization Board may be appealed to the Assessment Appeal Board or to a specially constituted appeal tribunal.

(iii) Requisitioning authorities should have the right to appeal an equalized assessment which affects the apportionment of its requisition. The grounds for appeal should include explicit consideration of the equity of any apportionment based on the equalization.

(iv) All adjustments in requisition resulting from a successful appeal be accounted for in the requisition of the following year if it is impractical to do so in the current year.

(v) The appellant authority shall inform all local collecting and requisitioning authorities that can be affected by an appeal that an appeal has been lodged.

(vi) With the unanimous consent of all concerned, the requisitioning authority and the municipalities should have the right to determine an apportionment of a shared cost on other criteria as well as equalized assessment; to use only part of the equalized assessment or to ignore equalized assessment altogether.

Equalized Assessment as a Control

All existing policies, agreements and regulations be amended to eliminate the use of equalized assessment or equalized mill rates as expenditure control mechanisms.

Apportionment of Linear Property Assessments

(i) Apportionment of linear property assessment be made in the manner described in Appendix A to this Report.

(ii) The valuations of Alberta Government Telephones prepared by the Chief Provincial Assessor be apportioned in the same manner as linear property assessments made under the **Electric Power and Pipeline Assessment Act**.

ASSESSMENT EQUALIZATION

Assessment Equalization is the process whereby municipal assessments made at different times under varying market conditions are brought to a common basis. In Alberta, equalization is required because there are significant government programs that necessitate sharing of costs among municipalities. Equalized assessment is calculated to represent the total assessment in the municipality as if a general assessment had been completed in the year prior to the equalization, discounted to twenty percent of full value. Thus the equalized assessment will change each year in order to represent changes in the actual assessment base, changes in market conditions and changes in assessment policy that are not reflected in the actual assessment of the municipality.

Equalization is concerned with the total assessment of a municipality and the manner in which it relates to the total assessment of other municipalities and to the province as a whole. Equalized assessment provides a standard whereby valid comparisons among municipalities can be made. When equalized assessment is used to apportion shared costs or grants, it attempts to ensure that the total assessment has been measured in a uniform manner for all municipalities.

In general terms, the calculation of equalized assessment is a process of converting actual assessments to full value and reducing those assessments to twenty percent of the full value.

The assessments for improvements and machinery and equipment are updated to full value through the use of conversion factors prepared in conjunction with the **Alberta Assessment Manual**. The values of the conversion factors and the manner in which they are applied are defined in the regulations (Alta. Reg. 57/76 and amendments). The assessment of farm land is likewise updated through the use of regulated conversion factors. The assessment of residential, commercial and industrial land is converted through the use of assessment/market value ratios determined for each municipality.

The general equalization formula is:

> *total actual assessment for each classification is multiplied by the conversion factor for the classification to equal full value and then further multiplied by twenty percent to produce the equalized assessment. The total equalized assessment is the sum of the equalized assessment for each classification.*

The assessment classifications used in the equalization calculation process are shown in Appendix E. The classifications shown in Table 1 are included for illustrative purposes and do not show the entire range of assessment classifications.

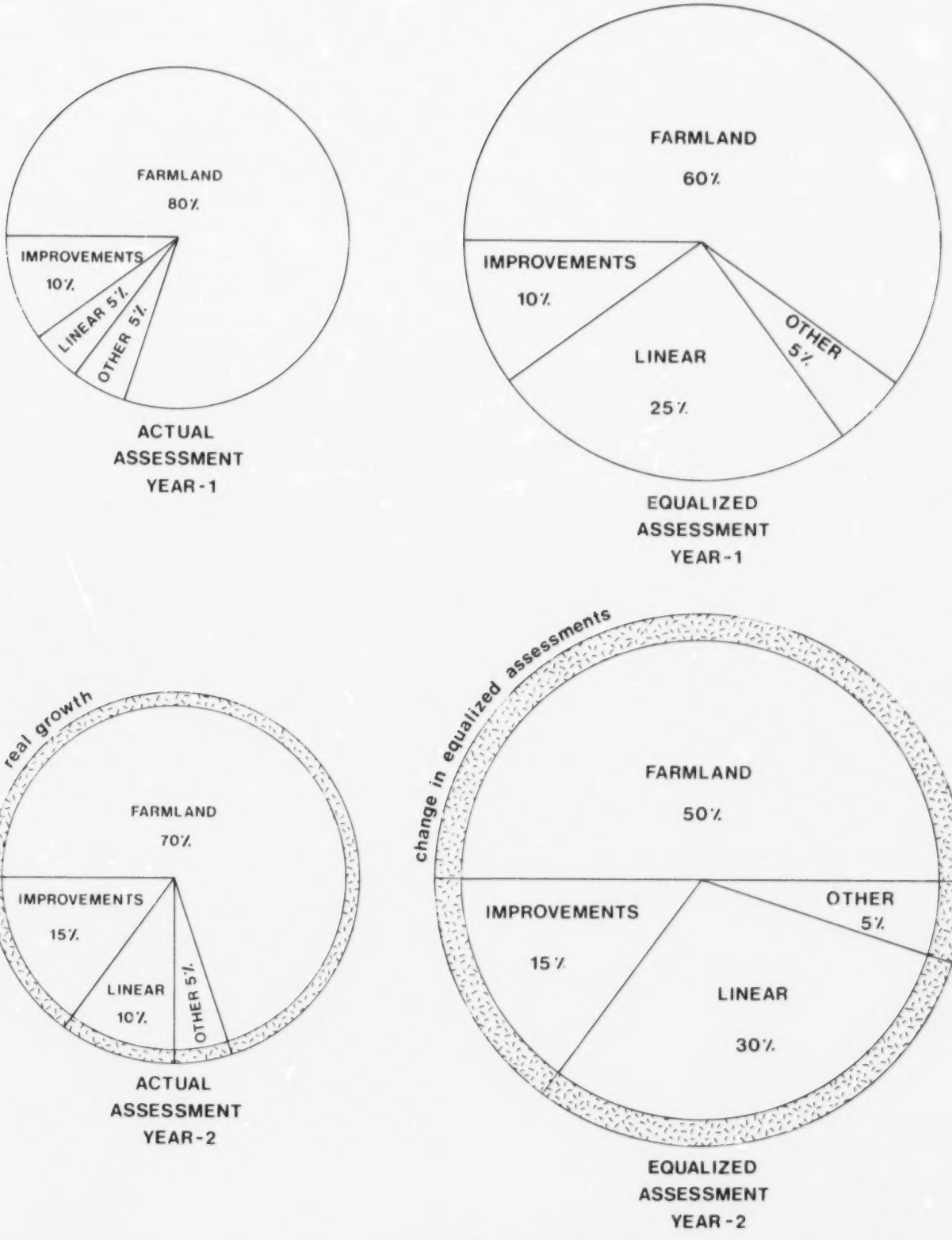
TABLE 1
CALCULATION OF EQUALIZED ASSESSMENT

ASSESSMENT CLASSIFICATION	ACTUAL ASSESSMENT	EQUALIZING RATES	FULL VALUE ASSESSMENT (actual × equalizing rates	EQUALIZED ASSESSMENT (20% of full value)
Non-farm land	$ 100,000	27.500	$ 2,750,000	$ 550,000
Farm land	10,000,000	10.675	106,750,000	21,350,000
Improvements	1,000,000	8.000	8,000,000	1,600,000
Machinery/Equipment	175,000	15.714	2,750,000	550,000
Linear	1,150,000	11.739	13,500,000	2,700,000
TOTAL	$12,425,000		$133,750,000	$26,750,000

The relationship between actual assessment and equalized assessment is complex, affected as it is by such factors as growth, changes in market value and changes in regulations or legislation. The essence of the relationship is shown diagramatically in Figure 1.

Figure 1

RELATIONSHIP BETWEEN ACTUAL ASSESSMENT AND EQUALIZED ASSESSMENT



Comments on Figure 1

(i) The actual assessment in the municipality is shown in chart 1: farm land is 80% of the total; improvements are 10%; linear assessments are 5% and other assessments are 5%.

(ii) When the assessment is equalized, the total assessment is altered as shown in chart 2; farm land drops to 60% of the total; improvements remain at 10%; linear increases to 25% and other stays at 5%.

(iii) Chart 3 shows the effect of 10% growth in actual assessment over one year: farm land declines to 70%, improvements increase to 15%; linear assessments increase to 10% and other remains at 5%.

(iv) Chart 4 shows that 10% growth in the actual is reflected by a 30% growth in the equalized assessment and a change in the composition of the base from the equalized assessment of year 1. Farm land declines from 60% to 50%; improvements increase from 10 to 15%; linear increases from 25 to 30% and other assessments remain at 5%.

There is a widely held expectation that equalization will equalize taxes on individual properties. Such a misunderstanding is unfortunate since it attributes to equalization benefits that can be achieved only through general reassessments.

Equalization affects only total assessment in a jurisdiction, it follows, therefore, that actual assessments of individual properties will not be altered by the equalization process. When there are differences in the level of actual assessment among municipalities, or a difference in the mix of properties in the municipality, properties of equal value will not pay the same tax for a shared cost that has been apportioned on the equalized assessment. The following table shows the supplementary school taxes on comparable houses (excluding land) in the County of Parkland and five urban municipalities in the County that share the supplementary school requisition of Parkland No. 31. Even though the total assessment for each municipality has been equalized to determine the share of costs to be borne, the taxes as levied against the actual assessments on individual improvements are not equal.

TABLE 2
SUPPLEMENTARY SCHOOL TAXES
STANDARD RESIDENCE
(IMPROVEMENT ONLY)

MUNICIPALITY	IMPROVEMENT ASSESSMENT	IMPROVEMENT TAXES 1979	1980	1981	1982
County of Parkland	$ 5,130	$135.95	$174.42	$187.25	$266.76
Drayton Valley	7,090	133.72	169.10	210.50	265.00
Spruce Grove	14,970	82.75	95.77	123.11	139.06
Stony Plain	14,880	62.46	74.66	88.33	89.26
Wabamun*	30,780			184.68	237.01
Entwistle	4,880	107.36	122.00	227.41	252.39

*1979 Manual General Assessment

ASSESSMENT EQUALIZATION IN ALBERTA

The Alberta Assessment Equalization Board, consisting of a chairman, vice chairman and three part time members is assisted by the Board Secretary and two administrative clerks. The current chairman of the Board is the Assessment Commissioner and Chief Provincial Assessor for the Province. The members of the Board have been appointed on the recommendation of the Alberta Urban Municipalities Association, the Alberta Association of Municipal Districts and Counties and the Provincial Department of Education.

The Board is required to determine annually equalized assessments throughout the Province. The manner in which equalized assessments are calculated is defined by **Alberta Regulation 57/76** made under the authority of the **Municipalities Assessment and Equalization Act**.

Equalization of assessment was first authorized in Alberta in 1919 under the provisions of the **Supplementary Revenue Act**. Under that legislation, the Province levied a tax on the equalized value of all rateable property. The first Assessment Equalization Board was established in 1920. The Board was directed to determine annually the equalized value of the rateable lands in all municipalities.

Over the years, the equalization responsibilities were assigned to various administrative units in the Department of Municipal Affairs until, in 1957, with the enactment of **The Municipalities Assessment and Equalization Act**, the Alberta Assessment Equalization Board was established in its current form and with its powers as presently defined.

Equalized assessment is incorporated into the procedures used by various provincial departments to apportion grants; for example, the Municipal Assistance Grant, transportation grants and grants for Senior Citizens Foundations. The Local Authorities Board has used the equalized assessment of a municipality as a measure of its capacity to service debt when it rules on borrowing applications. A school jurisdiction may borrow up to 2.5 percent of its equalized assessment, to a maximum of $200,000 without securing the prior approval of the Local Authorities Board.

Since 1961, however, the main application of equalized assessment has been with respect to the School Foundation Program and the supplementary school requisition. In both instances, equalized assessment is used to apportion the requisition among municipalities. Other applications of equalized assessment include apportionment for supplementary hospital costs, senior citizens homes, nursing homes, planning and recreational areas.

When equalized assessment is used for sharing costs, the requisitioning authority calculates the ratio of the equalized assessment of each collecting authority to the total equalized assessment for the requisitioning authority in order to determine the share of the requisition that will be borne by each collecting authority.

TABLE 3
REQUISITION APPORTIONMENT

AUTHORITY	EQUALIZED ASSESSMENT	PROPORTION	REQUISITION
TOTAL	$40,000,000		$36,000
County	16,000,000	.40	14,400
City	12,000,000	.30	10,800
Town	6,000,000	.15	5,400
Summer Village	4,000,000	.10	3,600
Village	2,000,000	.05	1,800

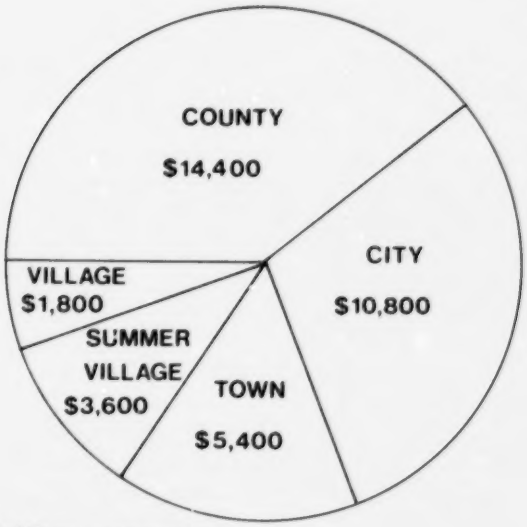
There have been instances recently when equalized assessment has been blamed for increases in shared costs such as the supplementary school requisition when, in fact, shared costs have risen as a result of increases in the requisition itself.

A review of Figure 2 shows that if the requisition shown in Table 3 increases by 50 percent with no change in apportionment the share of each municipality increases by 50%.

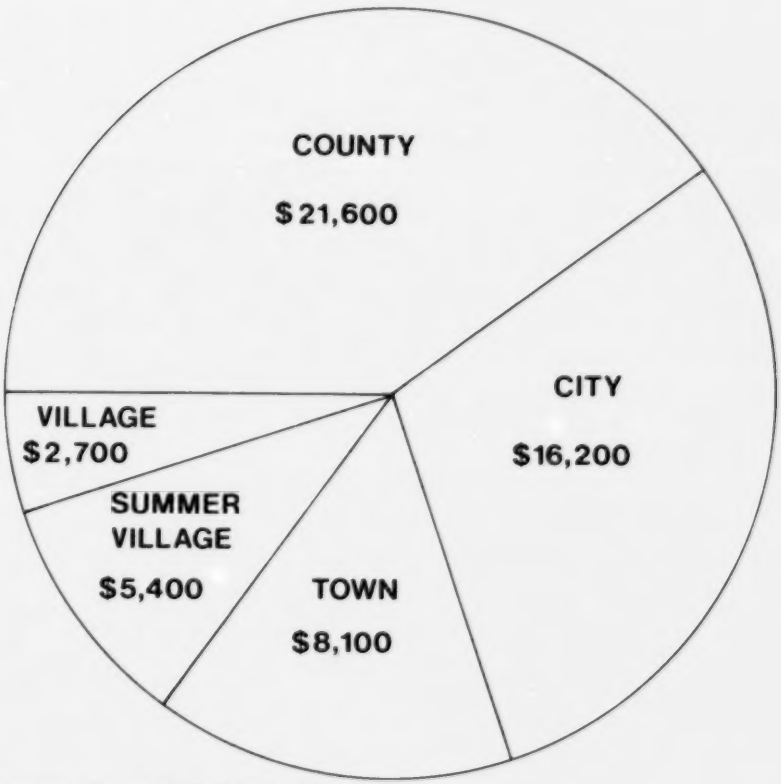
Using the county in Table 3 as an example, the County's apportionment would have to increase from 40 percent to 60 percent to produce an equivalent increase in the County's share of the original $36 thousand requisition.

Figure 2

IMPACT OF INCREASED REQUISITION



Original requisition, year-1



Fifty percent increase in requisition, year-2

UNDERSTANDING EQUALIZED ASSESSMENT

The concept of equalized assessment has been discussed elsewhere in the Report.* Suffice at this point to reiterate that equalization is an administrative process that permits meaningful intra-municipal comparisons of local assessments.

Although equalized assessment is not calculated for individual properties it does have, nevertheless, a direct impact on individual tax payers through the apportionment of shared costs. Administrators are concerned with equalized assessment only infrequently when they are involved with apportionment. As a result, very few administrators or elected representatives, to say nothing of citizens at large, have a good grasp of equalized assessment: what it is; how it is calculated and what it does. On the other hand, most administrators and representatives know how equalized assessment is used. For many of them, this understanding comes when a mill rate increase is blamed on "the equalized assessment".

The Assessment Equalization Board secretariat, through the use of information brochures, seminars and open meeting presentations has done much in the area of public information. Indeed the establishment of this Committee and, the distribution of this Report can be regarded as important public information activities.

The Committee believes that much can be done to eliminate the misconceptions and lack of understanding associated with equalized assessment particularly for those who are involved in the process or who must use equalized assessment.

More specifically:

(i) The Board should request the assistance of a representative group of municipal administrators to review the forms for recording equalization information: (The Assessment and Valuation Return).

(ii) The Board should develop a coding system which, in addition to meeting the needs of equalization, is compatible with municipal assessment coding requirements.

(iii) The forms and codes should be designed to facilitate computerized operations in the municipalities and the Board.

(iv) The Board should prepare a procedural guide that explains how the forms and codes are to be used. This guide would be distributed to all municipalities and updated annually by the Board.

(v) In its report to a municipality, the Board should indicate the extent to which changes in equalized assessment represent real growth.

(vi) The Board should continue its current efforts to improve the awareness of equalization.

(vii) Requisitioning authorities should receive copies of the equalization reports for all municipalities within their areas. These copies would be qualified as to the fact that the equalized assessment is subject to appeal.** In its submission to the requisitioning authorities, the Board should indicate the percentage shares of the requisition attributable to each municipality whenever the information is available.

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* See Page 10

When considering the issue of information availability, the Committee noted that section 135 of the **School Act gives school boards the right of access only to municipal assessment rolls.

(viii) The appellant authority shall inform all local collecting and requisitioning authorities that can be affected by an appeal that an appeal has been lodged.

Recommendation

The Assessment Equalization Board be responsible for increasing the awareness and endeavouring to improve the understanding of equalized assessment among municipal, school and hospital administrators, elected representatives and the general public.

THE EQUALIZATION PROCESS: SIMPLIFICATION AND TIMELINESS

The Committee believes that if its recommendations made for an expanded public information program are implemented, the equalization process will be clarified and placed in the proper context for administrators, elected representatives and the general public.

An additional concern with the equalization process is timeliness of reporting. While it is true the Assessment Equalization Board is dependent on municipal secretaries and assessors for the data required to initiate the process, there are some further actions that can be taken to facilitate timely reporting.

Perhaps the most important of these is to automate the calculation and reporting process. The Committee understands that the Board is currently analyzing its procedures in anticipation of conversion to a computerized operation. One objective of this procedural review should be to ensure that all regulatory and administrative procedures are compatible with a February 15th completion date. The Committee believes a computerized system for calculating and reporting equalized assessment should be in place for production of the 1985 equalized assessments.

The production of equalized assessments would be improved if annexations or new incorporations become effective on January 1st of the following year.

The equalization process would be facilitated if legislation providing for the declaration of separate school support were amended to permit declaration in advance of annexation. This would ensure also that annexation does not cause separate school supporters to lose their status as separate school supporters.

Recommendations

(i) The system for calculating and reporting equalized assessment be computerized in 1984 for production of 1985 equalized assessments.

(ii) Annexations and municipal incorporations be effective on January 1st of the year following the date of the order.

(iii) **The School Act** be amended to permit the declaration of separate school support to be made in advance of the effective date of annexation.

IMPROVING THE ASSESSMENT EQUALIZATION PROCESS

The Committee considered a number of proposals designed to alter the equalization process so that the equalized assessment as calculated by the Board is better able to meet its objectives. While a number of modifications to the process are recommended, the Committee believes the current procedures are sound and, for the most part, should be retained.

(i) **Machinery and Equipment**

Those municipalities that do not tax machinery and equipment because a business tax is levied must report the assessment of machinery and equipment for equalization purposes. Concern has been expressed that in these instances, the machinery and equipment assessment may be inaccurately reported In most circumstances, the assessor does not have the resources to devote the same attention to assessment that is not taxed as is given to taxable assessment. Further, there is seldom, if ever, any review of the non-taxed assessment through appeals to the Court of Revision or the Assessment Appeal Board.

The Committee considered whether there may be more appropriate policies, such as using an equivalent business assessment rather than actual machinery and equipment assessment. Another option could be to make it mandatory to tax machinery and equipment even when a business tax is levied. A third option could be to make the business tax mandatory and exempt all machinery and equipment from taxation and equalization. A fourth option is to retain the status quo with increased auditing. The Committee prefers a policy whereby all machinery and equipment is made taxable regardless of whether or not a business tax is levied.

(ii) **Averaging**

As presently computed equalized assessments may vary dramatically from year to year. The impact of the variation may be increased because the change in the local assessment that triggered the change occurred two years prior to the apportionment which utilizes the equalized assessment.

The Committee considered whether the equalized assessment should be calculated on the basis of a multi-year moving average in order to smooth annual variations that otherwise would occur. The Committee believes that equalized assessment will be more stable and thereby constitute a more appropriate basis for making apportionment if it is calculated on the basis of a multi-year moving average. In the Committee's view, it is particularly important to reduce the impact of general assessments on equalized assessment.

(iii) **The Treatment of Vacant Residential Land**

The Provincial School Foundation levy is applied to vacant residential land. In effect, vacant residential parcels are treated as non-residential assessment. As presently administered, the Foundation mill rate is applied to individuals who own a single lot on which they intend to build a house. In the Committee's view this situation is manifestly inequitable and was not contemplated by the Foundation program. The Committee believes that every Alberta resident who owns no other residential property in the Province should receive the benefits of the program by being able to qualify for one exemption from the Foundation levy.

The lag in applying equalized assessment gives rise to a second inconsistency in the treatment of vacant residential land. It is common for land that was vacant when the assessment was reported to the Board to have been developed during the period when the equalized assessment becomes effective. The Foundation Levy, as a result, may be applied to a much smaller tax base than was used to compute the equalized assessment.

(iv) **Adjustment for Location**

The Committee considered whether the equalized assessment should be adjusted to take into account different levels of construction cost across the Province. While the rates in the Assessment Manual used to calculate local assessments are based on costs in the Edmonton area, costs in another part of the Province may be higher, as for example, in Fort McMurray or lower, for example, High River.

The Committee agreed that modifiers are not warranted. As already noted, one goal of equalized assessment is to replicate to the greatest extent possible the actual tax base. Inasmuch as local modifiers are not used to compute the actual assessments then, as a general rule, they should not be used to compute equalized assessments. Second, any inequities which are the result of the present policy can be considered by the Board if it receives the discretionary authority recommended by this Committee.*

(v) **Level of Equalized Assessment**

Currently, equalized assessments are reported at twenty percent of the full level of the calculated property value. By comparison, actual assessments are made at sixty-five percent of full value when a general assessment is completed. The Committee considered whether it is more appropriate to report equalized assessment at:

100 percent — indicates the estimated full value of assessment in the municipality;

65 percent — facilitates comparison with actual assessment;

10 percent — implies that equalized assessment will always be less than actual assessment.

The Committee believes that any benefits from changing the level of equalized assessment to a level other than twenty percent of full value are not sufficient to warrant the inconvenience of the change.

(vi) **Equalization of Summer Village Land**

Since 1980 the Assessment Equalization Board has been phasing out a provision that reduced the equalized assessment of land in summer villages to the level of surrounding farm lands. Removal of this concession, which was given initially in 1977, is being done in conjunction with the phasing in of the increase in the base farm land value of $240.

The Committee supports the removal of this concession which was not available to recreational land outside of summer villages. The Committee also recognizes that a significant proportion of the residences which do benefit from the previous concession are occupied year round. Where concessions are warranted, they can be obtained through the review and appeal process.

*See Page 21

Verification of Assessment Data

In those instances when, for whatever reason, incorrect actual assessments are reported with respect either to total assessments or the allocation between requisitioning authorities, the equalized assessment will be in error to a corresponding degree. Any such error will produce an incorrect apportionment of costs. The result is mis-statement of tax liabilities, confusion among ratepayers, bad feeling between the jurisdictions involved, and unresolved legal entanglements. Accordingly, the Committee recommends that the Department of Municipal Affairs attempt to raise the standard of data quality through a program of periodic audits of equalization data. The audit would involve:

(a) checking for consistency from year to year of the apportionment of undeclared corporate assessment between public and separate school support. Unusual changes will require detailed explanations from the municipality;

(b) a detailed audit of equalization submissions against the assessment roll for each category of assessment. The audit would include a check of the mill rate computation for compliance with the **Municipal Taxation Act** and the **School Act**. The audit would be made on a sample basis and include all classes of municipality each year;

(c) In the event that irregularities are found, the requisitioning authorities affected be informed in writing.

Recommendations

(i) Machinery and equipment* be made taxable in all circumstances and included in the determination of equalized assessment. Assessment for business taxes continue to be excluded from the determination of equalized assessment.

(ii) Equalized assessment used for apportionment purposes be calculated as the average value of the equalized assessment determined for that year and the previous two years.

(iii) For purposes of the School Foundation Program, a vacant residential parcel owned by an Alberta resident who owns no other residential property in the Province be exempt from the Foundation tax levy.

(iv) Adjustments for construction cost differentials between Edmonton and other areas of the Province not be made.

(v) The equalized assessment continue to be reported at twenty percent of the full value.

(vi) Residential land in summer villages be equalized on the same basis as other residential land, according to its market value.

(vii) The data used in the calculation of equalized assessment be subjected to audit.

*The Committee had some concerns over the present definition of machinery and equipment

THE ASSESSMENT CYCLE

Background

In Alberta, legislation allows a municipality to retain general assessments up to a maximum of eight years. Different municipalities use different assessment Manuals and base years to determine the assessment of improvements and land. Equalization is required to produce comparative levels of value for all municipalities.

A major weakness in the equalization process is the difficulty of relating historic information to current market conditions. The problem is compounded when the market relationships among properties and property classes change from the relationships in effect at the time of the original general assessment. As a general assessment ages, the probability of accurately determining the equalized value of general assessments diminishes and the difficulty in determining equitable relationships among municipalities increases.

At present, a large number of assessment jurisdictions in the United States and Canada have implemented programs to maintain assessments at current values as a method of solving the equalization problem. It is obvious that maintaining current assessment values will eliminate the need of adjusting assessments for different Manuals and base years in the equalization process.

A cursory study prepared for the committee shows that equalization among municipalities will improve when all general assessments are completed more frequently or on a common assessment cycle. It is the committee's view that establishing and maintaining current assessment values is possible if:

— computers are used as an aid for market analysis and assessment calculations;

— each property is indexed annually to current assessment values;

— total reinspection and revaluation of properties would take place as required but at least on an eight year cycle;

Recommendation

The Department of Municipal Affairs undertake a comprehensive feasibility study to determine the costs and identify the benefits of maintaining actual assessments on a current basis.

REVIEW OF EQUALIZATION

The current equalization review process is generally regarded as inadequate. Municipalities have the right to appeal their equalized assessment to the Assessment Appeal Board. Grounds for appeal are not specified in the legislation (Section 22 of the **Municipalities Assessment and Equalization Act**) and the Appeal Board has taken the position that its authority is restricted. The issues that the Appeal Board will consider are: whether the equalization regulations have been correctly applied and secondly, whether the market analysis required to determine land equalization ratios is appropriate.

In fact, a municipality lodges an appeal because the council believes that the impact of the equalized assessment is inequitable regardless of whether it is procedurally correct. One of the perceived inequities is the inadequate reaction to changes in the local assessment base that occur in the interval between completion of the assessment roll and completion of the equalized assessment.*

Frustration is inevitable when the appellant is concerned with the broader issue of impact but the grounds for appeal are more restricted. This discrepancy, plus the cost and the time associated with equalization appeals have produced a situation that is unsatisfactory.

The Committee believes that the situation can be improved significantly if an element of discretion is introduced into the review process. First, the Alberta Assessment Equalization Board should be given, if it does not already have by virtue of Section 23(1), the right to recognize extenuating circumstances when determining the equalized assessment.* Second, prior to the issuance of the Board Order the Equalization Board should have the right to review equalized assessment when requested to do so by a municipality.

If a municipality is not satisfied with the review of its equalized assessment by the Equalization Board it should have the right to appeal the Equalization Board Order to the Alberta Assessment Appeal Board or to an ad hoc tribunal with representation from all municipalities which share requisitions with the appellant.

The Appeal Board or tribunal would be charged specifically with determining whether the equalized assessment is fair and correct. All municipalities that would have to make up any shortfall which would result from a reduction in the equalized assessment would be parties to the appeal process.

The decision of the Appeal Board or the tribunal would be final.

In the event of a successful equalization appeal the other municipalities must assume their share of any revised apportionment. It is the Committee's view that all adjustments in requisition resulting from a successful appeal should be accounted for in the requisition of the following year if it is impractical to do so in the current year.

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* An example of such a change is the destruction by fire of three grain elevators and a fertilizer shed in Bawlf which effectively removes the commercial assessment from the actual assessment but leaves it in the equalized assessment.

**Section 23(1) reads as follows:
Notwithstanding anything in this Act, the Board of its own motion or on the appeal of a municipality may at any time in any year, after making any inquiries and hearing any evidence as may be expedient, alter the equalized assessment.

Requisitions can be impacted severely if an incorrect equalized assessment is used in an apportionment. The Committee believes that in order to protect their interests, requisitioning authorities should be given the right to appeal the equalized assessment of any municipality that contributes to the requisition.

Whenever an appeal is lodged all collecting authorities and requisitioning authorities that may be affected should be notified so that representation can be made at the hearing. At a minimum, notification that an appeal has been filed should be given through the publication of a notice in a newspaper having general circulation in the area. The notice should appear at least twenty days prior to the end of the appeal period.

There is some concern and criticism that equalized assessments may not always be the best determinant of a municipality's share of the cost of providing a service. An example might be two summer villages, one with no permanent residents and the other with a number of year round families requiring school facilities, who are asked to contribute to a supplementary school requisition. The property owners in the village without permanent residents believe they are being unfairly taxed as they also have to contribute to school costs in the municipality in which they reside.

The Committee believes that the municipalities and collecting authorities should have the right to negotiate a share or apportionment of a requisition based on individual circumstances.

Recommendations

(i) A municipality should have the right to request the Assessment Equalization Board to review its equalized assessment before it is officially confirmed by Board Order.

(ii) The decision of the Assessment Equalization Board may be appealed to the Assessment Appeal Board or to a specially constituted appeal tribunal.

(iii) Requisitioning authorities should have the right to appeal an equalized assessment which affects the apportionment of its requisition. The grounds for appeal should include explicit consideration of the equity of any apportionment based on the equalization.

(iv) All adjustments in requisition resulting from a successful appeal should be accounted for in the requisition of the following year if it is impractical to do so in the current year.

(v) The appellant authority should inform all authorities that can be affected by an appeal that an appeal has been lodged.

(vi) With the unanimous consent of all concerned, the requisitioning authority and municipalities should have the right to determine an apportionment of a shared cost on other criteria as well as equalized assessment; to use only part of the equalized assessment or to ignore equalized assessment altogether.

EQUALIZED ASSESSMENTS AS A CONTROL

Equalized assessment of a municipality is a reflection of three distinct factors: the amount of assessment in a municipality available for taxation; the Provincial assessment policies applicable in that municipality and inflation. Thus, year to year changes in the equalized assessment may reflect any, or all, of the following:

— changes in the assessment base — either growth or decline;

— changes in Provincial assessment policy;

— changes in the relationship between actual assessment and current value.

Only the first of these factors reflects "real" change in the taxable assessment on which taxes can be levied. The other two are hypothetical and do not directly affect the current assessment. The Committee accepts the hypothetical nature of equalized assessment as reasonable, so long as the use of equalized assessment is restricted to apportionment. However, a hypothetical assessment is not a reasonable basis for establishing spending limitations which are reflected in taxes raised from a different assessment base altogether. In effect, when equalized assessment or the equalized mill rate is used as a control on spending, requisitions are allowed to grow because of factors that are not recognized in the actual assessment base from which the requisitions must be raised. It is not until the municipality is reassessed that such factors as new assessment policies and increases in value previously incorporated in the equalized assessment are reflected in the actual assessment.

In recent years, the effects of changes in assessment policy together with inflation in land values have produced increases in equalized assessment well in excess of the increases attributable to real growth.

The relatively large increases in equalized assessment appear to have encouraged school boards to budget according to a philosophy that regarded the maximum allowable equalized mill rate as a target. An expenditure level below the maximum was regarded as a saving in as much as it was below the guidelines. These "savings" were accompanied, in some instances, by tax levy increases of 50% or more and the creation of large surpluses by some school boards. The Assessment Equalization Board has been subjected to wide ranging criticism by those who identify growth in equalized assessment as the cause of excessive education tax increases.

Recommendation

All existing policies, agreements and regulations be reviewed and amended to eliminate the use of equalized assessment or equalized mill rates as expenditure control mechanisms.

APPORTIONMENT OF LINEAR PROPERTY ASSESSMENTS

The apportionment of assessment for the purpose of allocating a requisition or grant is a separate and distinct activity from equalization; apportionment need not be made on the basis of equalized assessment or actual assessment for that matter. However, apportionment — particularly of linear properties assessed under the **Electric Power and Pipeline Assessment Act** — is so closely identified in the public mind with equalized assessment it was deemed appropriate to include it within the Committee's terms of reference.

The Committee devoted considerable attention to the manner in which the assessment of pipelines, transmission lines and works in a rural municipality is apportioned among school and/or hospital authorities that requisition in the municipality, "The Ramsay Formula". Under the Ramsay Formula the linear property assessment in a rural municipality is excluded from the initial apportionment of a requisition. However it is prorated among all collecting authorities that contribute to the requisition on the basis of their non-linear assessment. The shares of each contributor are thus seen to be reduced from the initial apportionment in proportion to the amount of linear assessment allocated to them.

This proration must be completed before a requisitioning authority can apportion its requirements among the municipalities it serves. The apportionment is made as an alternative to specifying the location of the **Electric Power and Pipeline Assessment Act** assessments to the various requisitioning authorities. Particularly in the case of pipelines it would be time consuming and costly to allocate the assessment to the individual requisitioning authorities.

A side effect of the apportionment process is that a uniform mill rate is applied to all linear assessment in the rural municipality.

The Committee believes that the current procedure can be modified so that it is easier to apply and requisitioning authorities can complete their apportionments sooner in the year. The revised procedure is described in Appendix A.

The Committee was asked to consider whether the apportionment of linear assessments on the basis of equalized assessment is in conflict with section 70 of the **School Act**. Section 70 requires that the assessment of corporations whose owners have not designated whether the assessment should be allocated to the public or separate school system, be apportioned on the basis of a pupil ratio. The Committee subscribes to the view that since the linear assessment is not broken down among school jurisdictions, it would be difficult to apply the pupil ratio. Apportionment on the basis of equalized assessment is a practical resolution of the problem.

A contrary view is expressed by the Alberta Catholic School Trustees' Association. That submission is included as Appendix C to this Report. Clearly, the question of using the pupil ratio rather than equalized asssessment lies beyond the scope of this Committee which is addressing what is essentially an administrative procedure. It is the Committee's hope that by raising the issue in its report the Provincial Government is made aware of the concern felt by the Separate School authorities with respect to the existing apportionment process.

The Committee believes that linear valuations of Alberta Government Telephones made by the Chief Provincial Assessor, the equivalent of works and transmission lines assessed under the **Electric Power and Pipeline Assessment Act**, be apportioned in the same manner. Alberta Government Telephones valuations, which are made under the authority of the **Municipal and Provincial Properties Valuation Act** include machinery, equipment, ways and easements installations and structures used in the communication system. These valuations do not include land and buildings owned by Alberta Government Telephones.

Recommendations

(i) Apportionment of linear property assessments be made in the manner described in Appendix A to this Report.

(ii) The valuations of Alberta Government Telephones prepared by the Chief Provincial Assessor be apportioned in the same manner as linear property assessments made under the **Electric Power and Pipeline Assessment Act**.

APPENDIX A

The Equalization and Apportionment of Linear Property Assessment in Rural Municipalities

Procedure

1. The Equalization Board equalizes the actual assessment of each municipality.

2. The equalized assessment of all non-linear property is designated to each requisitioning authority.

3. The Equalization Board prorates the linear property assessment in each rural municipality among the requisitioning authorities in the municipality in proportion to the total value of the non-linear equalized assessments in the requisitioning authorities. (Table A.1)

4. The Equalization Board reports the total equalized assessment — including prorated linear assessment — to each municipality and requisitioning authority.

5. The requisitioning authority apportions the requisition according to the equalized assessment. (Table A.2)

6. The rural municipality calculates the uniform tax rate for linear assessment necessary to meet the requisitions. (Table A.3)

TABLE A.1
COUNTY OF PARKLAND
APPORTIONMENT OF LINEAR ASSESSMENT

REQUISITIONING AUTHORITY	NON-LINEAR ASSESSMENT	PROPORTION	PRO-RATED LINEAR ASSESSMENT
TOTAL	$175,469,580	1.0000	$166,486,553*
SCHOOL AUTHORITIES			
Parkland #31	175,341,870	.9993	166,370,013
Drayton Valley #111	87,240	.0005	83,243
Tomahawk #120	40,470	.0002	33,297

*The actual taxable linear assessment is $56,168,560

TABLE A.2
APPORTIONMENT OF EQUALIZED ASSESSMENT
ALL SCHOOL JURISDICTIONS INVOLVING PARKLAND, COUNTY 31

	COLLECTING AUTHORITY	EQUALIZED ASSESSMENT	PERCENTAGE	REQUISITION
I	**Parkland #31**	$471,818,883	100.00	$10,382,317
	County, non linear	175,341,870	37.163	3,858,381
	County, linear	166,370,013*	35.261	3,660,909
	Drayton Valley	24,709,980	5.237	543,722
	Spruce Grove	48,477,560	10.275	1,066,679
	Stony Plain	24,165,860	5.122	531,782
	Betula Beach	210,140	.045	4,672
	Edmonton Beach	1,281,360	.272	28,240
	Kapasawin	369,930	.078	8,098
	Lakeview	233,130	.049	5,087
	Point Alison	282,870	.060	6,229
	Seba Beach	1,956,200	.415	43,087
	Entwistle	2,559,640	.543	56,376
	Wabamun	25,637,090	5.434	564,175
	I.D. 14, non linear	136,800	.029	3,011
	I.D. 14, linear	86,390	.018	1,869
II	**Drayton Valley #111**	$ 8,119,973	100.00	$ 174,441
	County, non linear	87,240	1.0	1,744
	County, linear	83,243*	1.0	1,744
	Drayton Valley	7,949,490	98.0	170,953
III	**Tomahawk #120**	$ 73,767	100.0	$ 1,376
	County, non linear	40,470	55.0	757
	County, linear	33,297*	45.0	619

*From Table # A.1

TABLE A.3
COUNTY OF PARKLAND
UNIFORM MILL RATE FOR LINEAR ASSESSMENT

TOTAL REQUISITION		$3,663,272
I	PARKLAND #31	3,660,909*
II	DRAYTON VALLEY #111	1,744*
III	TOMAHAWK #120	619*
TOTAL ASSESSMENT (actual)		$56,168,560
UNIFORM MILL RATE	$3,663,272 ÷ $56,168,560 = .065 or 65 mills	

* From Table # A 2

APPENDIX B

Impact of Alternative Apportionments

In order to demonstrate the impact of the alternative procedures considered by the Committee the 1982 school requisitions for the County of Parkland under the current Ramsay Formula, and the alternative method utilizing equalized assessment are set out in the following table.

	Municipality	Current Formula	Alternative Formula
I	**PARKLAND NO. 31**		
	County of Parkland	$ 7,518,148(.7241)	$ 7,519,290(.7242)
	Drayton Valley	543,612	543,722
	Spruce Grove	1,067,067	1,066,679
	Stony Plain	531,517	531,782
	Betula Beach	4,704	4,672
	Edmonton Beach	28,222	28,240
	Entwistle	56,444	56,376
	Kapasiwin	8,064	8,098
	Lakeview	5,376	5,087
	Point Alison	6,048	6,229
	Seba Beach	43,005	43,087
	Wabamun	564,444	564,175
	Improvement Dist. 14	5,666	4,880
		$10,382,317	$10,382,317
II	**DRAYTON VALLEY NO. 111**		
	County of Parkland	$ 3,695(.2118)	$ 3,488(.2000)
	Drayton Valley	170,746	170,953
		$174,441	$174,441
III	**TOMAHAWK NO. 120**		
	County of Parkland	$1,376	$1,376

APPENDIX C

Distribution of Electric Power and Pipeline Revenue: A Proposal submitted to the Alberta Municipal Affairs' Committee on Equalized Assessments by Alberta Catholic School Trustees Association

1. Introduction

The purpose of this paper is to expose the need for amendments relative to the current disposition of tax dollars paid by Electric Power and Pipeline Companies for educational support; it is also to suggest a sound and viable alternative to the present formula for distribution.

This commentary assumes the validity of several assumptions:

(1) that Electric Power and Pipeline Revenue is an Alberta resource, whose benefit in fairness must be situated at the local municipal level and shared in direct relation to the measure of educational responsibility assumed by member jurisdictions within that municipality

(2) that any amendments to the current method of Electric Power and Pipeline revenue distribution promote both equity and stability within the educational enterprise and

(3) that consistency with other educational funding formulae — at least in terms of their underlying principles and intent, if not in their technical limitations — best reflects informed public opinion and satisfactory experience of government.

2. The Problem: Identification and Analysis

The "Ramsay Formula" now prorates Electric Power and Pipeline revenue to school jurisdictions within the municipality on the basis of the rural assessment in each jurisdiction; however, it fails to recognize the number of students educated, their immediate location of residence or the ensuing impact when a town's local requisition disrupts the traditional balance between public and separate school tax levies. The effect of the latter is that the Public School System is able to requisition the Town at a mill rate on equalized assessment several mills above that used by the Separate System and still have their rate-payers pay taxes amounting to considerably less after Power and Pipeline deductions have been made than those paid by their counterparts.

Admittedly, the Separate System receives a small portion of Electric Power and Pipeline revenue, and the bulk of the lines are positioned on property which is owned by people whose children are served by the Public Schools. But those factors, in themselves, are feeble justifiction for the current formula of revenue distribution.

In contrast, one must appreciate how the **School Act** Section 17 (Chapter S-3 Revised Statutes of Alberta 1980), despite recent improvements in interpretation, hinders Separate Systems from having boundaries coterminous with the Public School System: one unfavourable financial consequence is a disporportionate percentage of inadequately funded "non-resident" students whose educational support drains other sources available to the Separate School District. One could argue further in relation to ownership: that regardless of who might be the owners of lands which the lines cross, the lines do not belong to the owners of the land; they are, in fact, an Alberta resource. In reality, therefore, funds coming from the taxation of those lines are indeed public funds, — they should in no way be used to create an inequitable tax situation. Instead, funds should be distributed in accordance with the principles and practice preponderant in other sources of educational tax distribution: specifically, in relation either to the number of students educated by each jurisdiction, or at least to the number of resident students served by such jurisdiction.

3. Some Examples

Some examples will serve to illustrate the problem cited above.

3.1 In 1976, Valleyview RCSSD No. 84 levied an 11.0 mill rate. Money received from E.P. & P.L. gave a relief of .34 mills. In the same year, East Smoky School Division levied a 21.0 mill rate. The money which went to them from E.P. & P.L. when converted to mills gave a relief equivalent to 12.49 mills. Therefore, Separate School Supporters actually paid at the rate of 10.56 mills while Public School Supporters paid at only 8.51 mills.

Two years later, the same Separate School District had this to report:

> The situation is still much the same. Now even the E.O.F.* grant is difficult for us to obtain as their administrative people see us as not taxing local ratepayers a reasonable amount. The public School Board in Valleyview will be levying a requisitional tax this year to their allowable maximum but E.P. & P.L. will provide sufficient funds to cut this down by two thirds. If we levy anywhere near as much, the end result would see our ratepayers paying several mills more for school taxes than is paid by their public school counterparts.

3.2 Wainwright, Alberta serves as an example reported in 1982. Wainwright Public have about 70% of the town assessment. Wainwright Separate Schools have about 30%. Local Public School Supporters will receive $168,844 in Electric Power and Pipeline Revenue to reduce the Supplementary Requisition. The Separate School supporters will receive only $2,374. Accordingly, the gap in the actual live mill rate is several mills. That illustrates the anomaly in the present distribution of funding: namely, as increases of Pipeline Revenues occur, so widens the gap in the live mill rate between Public and Separate School supporters. In other words, to obtain the same dollars, the Separate School Supporters must pay a higher tax.

3.3 A similar situation was reported this year in the County of Vermilion River, where an increase in Electric Power and Pipeline Revenue actually widened the gap between the Public School tax and the Separate School tax in town. The Public School taxpayers in Vermilion will receive $101,801 of E.P. & P.L. revenue to reduce their requisition while the Separate School taxpayer will receive only $2,235. If the formula for distribution had been based on resident students, the latter amount would increase by about $30,000.

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*Educational Opportunity Fund.

3.4 For comparison purposes, according to 1981 figures all Separate School Districts within the Peace River School Division record 20.3% of the total as resident pupils; they educate approximately 28% of the total within those boundaries; yet they receive only 2.5% of the E.P. & P.L. revenue.

4. Conclusion

The preceding commentary documents the failure of the present Electric Power and Pipeline revenue distribution formula to achieve an acceptable measure of equity between educational jurisdictions; it also provides substantial reason for formula amendment in the immediate future so as to limit the accelerating negative impact in the long term.

It is suggested, therefore, that a simple and equitable solution be in keeping with the total equalized assessment in a Municipality or County: that Electric Power and Pipeline Revenue be pooled and divided either according to the number of resident pupils in each District or according to the number of students educated by each jurisdiction.

Submitted by

(Mrs.) Madeleine Paul, Past President
Alberta Catholic School Trustees' Association

APPENDIX D

Annual Equalization Process

DATE	EVENT
February 15	Board prepares and mails certification forms showing prior year's assessment information as submitted by each municipality to assessors for their use in determining assessment/market ratios.
April 1	Board prepares computer land sales data for distribution to assessment jurisdictions for use in determining assessment/market ratio. This is done on a quarterly basis.
June 30	Assessments obtained from the Chief Provincial Assessor for E.P. & P.L., AGT and Cable TV.
July 7	**Request for Mill Rate Form** sent to each municipality. Mill rate information is used to determine collected revenue assessment equivalents. Also used by Municipal Inspection Services. **Assessment Summary** report is prepared. Statistical information required by various agencies.
September 15	**Assessment and Valuation Forms for Tax Year** — are sent by the Board to the Secretary-Treasurer of each municipality.
December 31	Assessment Advisory Inspectors complete the **Assessment to Market Value** certification for land assessments in each municipality.
January 7	Board sends **Assessment and Valuation Forms for use by Alberta Education** to municipalities. Special 5 year program. Information returned is forwarded to Alberta Education.
January 7	Short version of **Assessment and Valuation Form for the Tax Year** — sent to urban municipalities. (used to prorate public and separate Eq. Assess.)
January 15	**Assessment Recapitulation Forms** are sent to D.M.A. regional offices. For use by assessors in reporting assessments annually.
January 15	Board sends a reminder notice to all municipalities that have not returned an **Assessment and Valuation Form.**
February 15	Equalized assessments calculated by Board secretariat.
February 15	Assessment/Eq. Assess. summary prepared on an on-going basis to: 1. obtain estimates for Alta. Ed. re: setting school foundation mill rate 2. check for errors (two year period) 3. progress status
February 15	**Board Orders** showing the equalized assessment are sent out to those agencies that require them: e.g. Alberta Education / Alberta Hospitals and Medical Care
February 15	**Notifications** of equalized assessment are sent to each municipality.
March 1	**Synopsis of Schedule** report is prepared for school and hospital requisitioning authorities when school foundation mill rate is struck.
June 15	**Land Assessment Sales/Ratio Study and Equalized Assessment Report** is completed by Equalization Board.

APPENDIX E

Classification of Assessments, Valuations and Assessment Equivalents

The following classifications of assessment are recognized in the equalization process.

1. Land
   - commercial
   - industrial
   - residential — exempt from the School Foundation levy
   - residential — vacant
   - land assessed at farm land rates
   - farm land — exempt from the School Foundation levy
   - other farm land

2. Buildings and Improvements
   - commercial
   - industrial
   - residential — exempt from the School Foundation levy
   - machinery and equipment used in processing and manufacturing

3. Railway right of way excluding station grounds

4. Well and line pipe assessment

5. Electric power and distribution system

6. Cable TV assessment

7. Municipal valuations
   - electric light and power system
     - land
     - building
     - machinery and equipment
   - natural gas or propane system
     - land
     - building
     - machinery and equipment
   - other revenue earning property
     - land, residential
     - improvements, residential
     - land, other
     - improvements, other

8. Alberta Government Telephone valuations
   - land
   - buildings and improvements
   - valuations of the Chief Provincial Assessor

9. Alberta Liquor Control Board valuations
   - lands
   - buildings and improvements

10. Alberta Housing Corporation valuations
   - land — exempt from the School Foundation levy
   - other land
   - improvements exempt from the School Foundation levy
   - other buildings and improvements

11. Other Provincial property — grant in lieu of taxes paid
   - land — exempt from the School Foundation levy
   - other land
   - improvements — exempt from the School Foundation levy
   - other improvements

12. Federal Property — grant in lieu of taxes paid
   - land — exempt from the School Foundation levy
   - other land
   - improvements — exempt from the School Foundation levy
   - other improvements

13. Assessment Equivalents
   - land — exempt from the School Foundation levy
   - other land
   - improvements — exempt from the School Foundation levy
   - other improvements

APPENDIX F

Equalization Factors

I Separate equalizing factors are required for the following classifications:

Buildings and Improvements (includes revenue from supplementary assessments and mobile home licences);

Farm Land;

Railway Right of Way;

Machinery and Equipment;

Pipeline

Electric Power (includes AGT assessments and Cable TV);

Lease Sites;

Pipeline Machinery and Equipment;

Electric Power Machinery and Equipment (includes AGT assessments);

Each of these classifications is further classified as to whether or not the assessment is liable for the School Foundation levy.

Additional Assessment classifications required for the assessment/market analysis program are:

— commercial land

— industrial land

— residential land, occupied

— residential land, vacant

II The generalized procedure for calculating equalization factors is to:

(i) convert the actual assessment, (which is based on the statutory level of assessment for taxation), to the full value assessment as of the base year of the municipality's general assessment;

(ii) convert the full value assessment to the value calculated from the Assessment Manual;

(iii) convert the Manual value to the equivalent full value assessment as of the base year of the equalization;

(iv) depreciate the converted full value assessment as of the base year of the general assessment to the equalization year;

(v) convert the depreciated full value assessment to the equalized assessment level.

The procedure would be applied as follows:

Assumptions

(i) improvement assessment exempt from the School Foundation levy is $600,000

(ii) base year of the general assessment is 1980

(iii) equalization base year (two years prior to equalization year) is 1981

(iv) equalization year is 1983.

Then,

(i) statutory level of assessment is 65%

(ii) modifier to convert to Manual values is 1.194

(iii) modifier to convert Manual values to the equalization base year is 1.477

(iv) percent remaining allowance is 97%

(v) equalized assessment level is 20%

(i)	$ 600,000.00 ÷ .650	$ 923,076.92
(ii)	$ 923,076.92 ÷ 1.194	$ 773,096.24
(iii)	$ 773,096.24 × 1.477	$1,141,863.10
(iv)	$1,141,863.10 × .970	$1,107,607.20
(v)	$1,107,607.20 × .200	$ 221,521.44

The original, actual assessment ($600,000) is converted, as a result of these calculations to an equalized assessment ($221,520)

For purposes of calculation convenience, the general procedure can be converted into one factor which, in this example, would be:

0.3692

The components of the factor are:

the reciprocal of the statutory level	1.5384;
the reciprocal of the modifier to convert to the Manual	.8375;
the modifier to convert to the equalization base year	1.4770;
the percent remaining factor	0.9700;
the equalization level allowance	0.2000.

APPENDIX G

Glossary of Terms

Actual Assessment

The assessment upon which property taxes are levied, sometimes referred to as 'live assessment'. The manner in which actual assessments are made is defined in the Regulations made under the authority of the **Municipal Taxation Act**.

Assessment Equivalents

Supplementary assessment and mobile unit license revenue together with revenue derived from the sale or issuance of a lease, licence or permit for property, which had been exempt for a portion of the taxation year, that is converted to an assessment equivalency through application of the reciprocal of the mill rate.

Assessment Manual

The Manual of assessment procedures and schedules prepared by Alberta Municipal Affairs to implement the assessment regulations. The use of the Manual is mandatory throughout the Province.

Collecting Authority

A municipality (city, town, village, summer village, county, municipal district, improvement district, special area or collecting school district) which has the authority to levy taxes on a real property.

Full Value Assessment

The assessment derived from the application of the Assessment Regulations prior to establishment of the level of taxable assessment.

Improvement

Building, structure, machinery, equipment or mobile unit that is subject to assessment or valuation.

Land

The physical entity, land.

Machinery and Equipment

Section 1, paragraph (n) of the **Municipal Taxation Act** defines an improvement as including machinery and equipment in clauses (iii), (iii.i), (iv) and (v). To the extent that machinery and equipment meets the definition of improvement it is liable for assessment or valuation.

Requisitioning Authority

A unit of local government that has the authority to apportion its costs of operation among two or more collecting authorities.

APPENDIX H

Per Capita Equalized Assessment

The per capita equalized assessment of a municipality is widely accepted as an objective measure of its wealth, or perhaps more accurately, of the taxable capacity of its property. The summer villages are an exception to this generalization in that the permanent population of these municipalities is extremely low relative to the amount of assessment, thus exagerating the apparent wealth of the municipality.

The data for this table is derived from records of Assessment Equalization Board.

CITIES	1982 POPULATION	1983 EQUALIZED ASSESSMENT PER CAPITA
Calgary	623,133	$10,108
Camrose	12,809	6,576
Drumheller	6,508	6,650
Edmonton	551,314	10,367
Fort McMurray	33,576	6,837
Grande Prairie	24,263	8,877
Lethbridge	56,500	7,694
Lloydminster (Based on Alberta Population)	9,029	8,002
Medicine Hat	40,380	7,526
Red Deer	48,562	7,500
St. Albert	32,982	6,979
Wetaskiwin	9,896	6,817
AVERAGE		$ 7,828

TOWNS		1983 EQUALIZED ASSESSMENT PER CAPITA
Airdrie	9,981	$ 6,576
Athabasca	1,731	7,794
Barrhead	3,736	6,104
Bashaw	875	6,305
Bassano	1,200	6,421
Beaumont	2,927	6,961
Beaverlodge	1,937	6,140
Black Diamond	1,545	4,670
Blackfalds	1,488	4,519
Bon Accord	1,425	4,893
Bonnyville	4,454	8,506
Bowden	1,021	4,744
Bow Island	1,427	5,550
Brooks	9,421	7,178
Bruderheim	1,238	5,092
Calmar	1,061	6,724
Canmore	3,689	10,749
Cardston	3,267	4,367
Carstairs	1,725	5,278
Castor	1,123	4,412
Claresholm	3,493	5,318
Coaldale	4,597	4,807
Cochrane	3,851	8,527
Cold Lake	2,058	8,095
Coronation	1,268	5,025
Crossfield	1,330	7,627
Crowsnest Pass	7,577	5,041

TOWNS (cont'd.)		1983 EQUALIZED ASSESSMENT PER CAPITA
Daysland	691	$ 4,631
Devon	3,931	6,838
Didsbury	3,256	5,410
Drayton Valley	4,867	7,218
Eckville	872	4,710
Edson	6,291	7,408
Elk Point	1,051	6,269
Fairview	2,869	6,734
Falher	1,204	5,590
Fort Macleod	3,139	4,565
Fort Saskatchewan	12,455	18,073
Fox Creek	1,978	5,190
Gibbons	2,592	4,855
Gleichen	381	4,430
Grand Centre	3,146	7,677
Grande Cache	4,624	3,967
Granum	399	4,399
Grimshaw	2,488	5,567
Hanna	2,828	6,338
Hardisty	680	4,578
High Level	2,354	6,755
High Prairie	2,506	6,448
High River	4,941	7,075
Hinton	8,819	7,889
Innisfail	5,444	7,253
Irvine	360	3,259
Killam	1,005	5,529
Lac La Biche	2,069	7,040
Lacombe	5,723	6,141
Lamont	1,644	5,810
Leduc	12,471	7,352
Magrath	1,576	4,109
Manning	1,262	4,654
Mayerthorpe	1,475	4,372
McLennan	1,176	2,582
Milk River	894	5,039
Morinville	4,943	6,245
Mundare	645	4,946
Nanton	1,647	5,533
Okotoks	4,521	7,081
Olds	4,888	7,428
Oyen	1,002	5,650
Peace River	6,043	6,829
Penhold	1,518	4,587
Picture Butte	1,404	4,494
Pincher Creek	3,757	5,119
Ponoka	5,221	7,150
Provost	1,756	5,594
Rainbow Lake	739	2,903
Raymond	2,837	3,440
Redcliff	3,814	5,524
Redwater	2,174	8,018
Rimbey	1,880	5,599
Rocky Mountain House	4,735	6,690
Sedgewick	879	4,088
Sexsmith	1,184	8,566
Slave Lake	4,562	4,848
Smoky Lake	1,165	6,533
Spirit River	1,104	5,176
Spruce Grove	10,784	6,418
Stavely	548	4,190
Stettler	5,136	6,844

TOWNS (cont'd.)		1983 EQUALIZED ASSESSMENT PER CAPITA
Stony Plain	5,105	$ 6,246
St. Paul	4,884	7,535
Strathmore	3,199	6,520
Sundre	1,750	5,390
Swan Hills	2,497	4,553
Sylvan Lake	3,779	6,956
Taber	5,988	6,363
Three Hills	1,879	5,751
Tofield	1,560	5,644
Trochu	880	5,692
Turner Valley	1,337	7,931
Two Hills	1,330	4,377
Valleyview	2,061	5,130
Vauxhall	1,048	5,360
Vegreville	5,251	9,587
Vermilion	3,727	7,362
Viking	1,238	5,092
Vulcan	1,474	6,840
Wainwright	4,266	5,914
Wembley	1,209	4,489
Westlock	4,432	7,124
Whitecourt	5,408	6,974
AVERAGE		$ 6,031

VILLAGES		1983 EQUALIZED ASSESSMENT PER CAPITA
Acme	492	$ 6,271
Alberta Beach, S.V.	461	11,118
Alix	837	3,972
Alliance	208	4,298
Amisk	200	3,539
Andrew	569	4,486
Argentia Beach, S.V.	3	589,750
Arrowwood	151	6,684
Barnwell	359	3,041
Barons	323	4,405
Bawlf	351	3,968
Beiseker	637	6,104
Bentley	825	5,281
Berwyn	632	3,842
Betula Beach, S.V.	6	45,323
Big Valley	360	3,371
Birchcliff, S.V.	43	53,467
Bittern Lake	153	3,844
Blackie	343	5,296
Bondiss, S.V.		
Bonnyville Beach, S.V.	44	22,232
Botha	172	4,458
Boyle	668	6,720
Breton	566	4,110
Burdett	238	2,748
Carbon	434	6,056
Carmangay	277	4,792
Caroline	431	4,903
Castle Island, S.V.	5	68,790
Cayley	194	5,406
Cereal	252	3,333
Champion	357	3,975
Chauvin	316	3,454

VILLAGES (cont'd.)		1983 EQUALIZED ASSESSMENT PER CAPITA
Chestermere Lake, S.V.	541	$ 14,151
Chipman	266	4,916
Clive	364	4,498
Cluny	111	4,676
Clyde	364	4,513
Coalhurst	1,111	3,304
Consort	632	4,064
Coutts	400	4,596
Cowley	304	3,958
Cremona	402	4,546
Crystal Springs, S.V.	45	49,964
Czar	167	2,630
Delburne	555	4,613
Delia	211	5,088
Derwent	142	3,816
Dewberry	163	4,357
Donalda	266	4,878
Donnelly	362	3,337
Duchess	429	5,704
Eaglesham	207	3,681
Edberg	150	2,905
Edgerton	384	4,142
Edmonton Beach, S.V.	329	4,850
Elnora	243	4,566
Empress	200	2,703
Entwistle	468	5,998
Evansburg	784	6,435
Ferintosh	155	3,744
Foremost	576	4,471
Forestburg	968	4,822
Fort Assiniboine	191	4,013
Gadsby	49	4,150
Galahad	166	3,581
Ghost Lake, S.V.	42	19,853
Girouxville	325	4,278
Glendon	455	5,813
Glenwood	259	3,591
Golden Days, S.V.	33	72,569
Grandview, S.V.	38	67,795
Grassy Lake	211	2,581
Gull Lake, S.V.	80	28,333
Hairy Hill	72	5,350
Half Moon Bay, S.V.	31	29,613
Halkirk	156	3,010
Hay Lakes	317	4,421
Heisler	212	3,310
Hillspring	200	2,857
Hines Creek	575	4,739
Holden	430	4,556
Hughenden	251	3,741
Hussar	179	7,860
Hythe	681	5,048
Innisfree	255	4,341
Irma	474	4,262
Irricana	623	4,895
Island Lake, S.V.	43	30,063
Island Lake South, S.V.		
Itaska Beach, S.V.	7	143,233
Kapasiwin, S.V.	2	227,695
Kinuso	285	2,162
Kitscoty	505	4,669
Lakeview, S.V.	14	19,949

VILLAGES (cont'd.)		1983 EQUALIZED ASSESSMENT PER CAPITA
Lavoy	120	$ 4,777
Legal	1,042	4,849
Linden	426	5,614
Lomond	204	6,544
Longview	312	5,082
Lougheed	261	4,291
Ma-Me-O Beach, S.V.	82	30,037
Mannville	788	4,504
Marwayne	500	4,750
Mewatha Beach, S.V.	27	49,729
Millet	1,087	5,427
Milo	119	7,235
Minburn	146	2,771
Mirror	552	3,837
Morrin	245	4,498
Munson	148	3,893
Myrnam	397	4,315
Nakamun Park, S.V.	8	100,736
Nampa	334	5,676
New Norway	282	4,441
New Sarepta	461	3,849
Nobleford	555	6,413
Norglenwold, S.V.	84	22,684
Onoway	669	7,803
Paradise Valley	166	3,023
Pelican Narrows, S.V.	35	34,726
Plamondon	271	4,125
Point Alison, S.V.	2	169,825
Poplar Bay, S.V.	38	65,831
Radway	194	5,281
Rochon Sands, S.V.	51	14,841
Rockyford	329	5,196
Rosalind	197	4,477
Rosemary	328	3,386
Ross Haven, S.V.	59	30,222
Rumsey	89	4,545
Rycroft	649	5,296
Ryley	520	5,115
Sandy Beach, S.V.	78	23,629
Sangudo	424	3,479
Seba Beach, S.V.	126	19,425
Silver Beach, S.V.	26	76,696
Silver Sands, S.V.	72	24,325
South View, S.V.	33	21,410
Standard	379	5,047
Stirling	688	2,879
Strome	281	3,774
Sundance Beach, S.V.	17	71,145
Sunset Beach, S.V.	24	32,945
Sunset Point, S.V.	85	20,543
Thorhild	566	4,988
Thorsby	737	6,713
Tilley	367	3,564
Torrington	230	4,900
Val Quentin, S.V.	107	11,510
Veteran	318	3,276
Vilna	345	4,872
Wabamun	662	42,212
Wanham	266	4,368
Warburg	541	5,437
Warner	477	4,472
Warspite	96	5,253

VILLAGES (cont'd.)		1983 EQUALIZED ASSESSMENT PER CAPITA
Waskatenau	281	$ 5,523
West Cove, S.V.	46	31,429
White Sands, S.V.	2	387,225
Wildwood	432	5,250
Willingdon	375	4,490
Yellowstone, S.V.	73	16,150
Youngstown	297	3,555
AVERAGE		$ 20,663

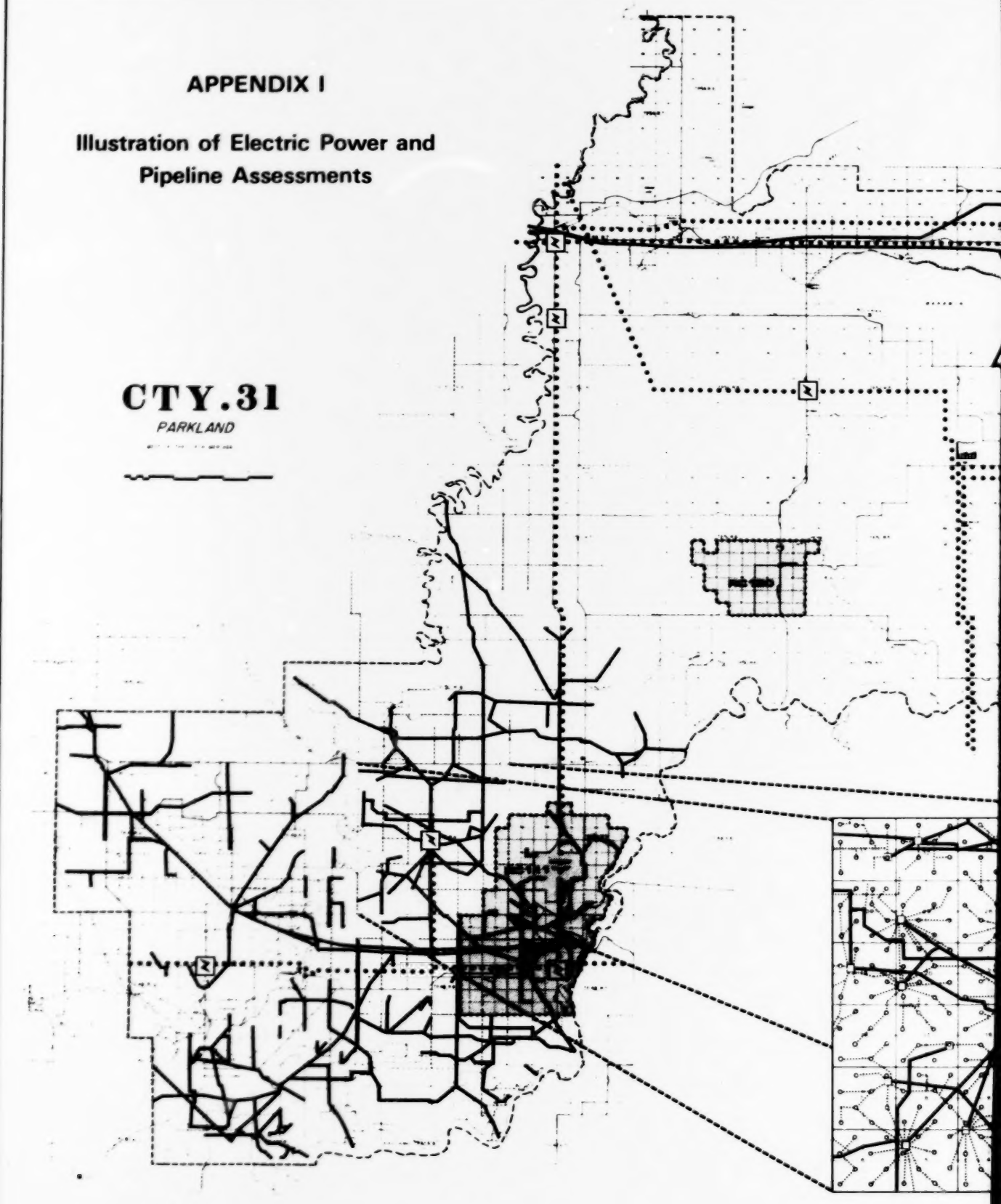
COUNTIES		1983 EQUALIZED ASSESSMENT PER CAPITA
Grande Prairie #1	12,078	$ 8,830
Vulcan #2	3,715	12,921
Ponoka #3	7,536	7,546
Newell #4	6,199	16,940
Warner #5	3,460	9,234
Stettler #6	5,092	12,234
Thorhild #7	3,323	6,865
Forty Mile #8	3,451	12,903
Beaver #9	5,347	10,551
Wetaskiwin #10	9,026	9,387
Barrhead #11	5,517	5,204
Athabasca #12	5,974	6,233
Smoky Lake #13	2,910	7,498
Lacombe #14	8,783	13,851
Wheatland #16	5,513	23,278
Mountain View #17	8,832	13,823
Paintearth #18	2,495	42,240
St. Paul #19	6,101	5,957
Strathcona #20	48,024	10,461
Two Hills #21	3,380	10,919
Camrose #22	7,564	8,889
Red Deer #23	13,664	8,868
Vermilion River #24	7,533	9,231
Leduc #25	13,258	13,341
Lethbridge #26	8,779	6,882
Minburn #27	4,041	9,940
Lac Ste. Anne #28	7,614	6,219
Flagstaff #29	4,507	12,901
Lamont #30	4,687	8,055
Parkland #31	23,626	15,836
AVERAGE		$11,568

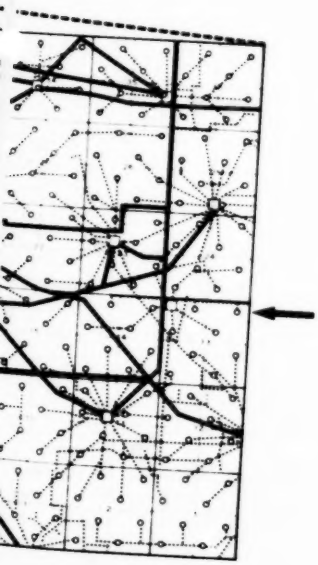
MUNICIPAL DISTRICTS		1983 EQUALIZED ASSESSMENT PER CAPITA
Cardston #6	4,292	$ 7,035
Pincher Creek #9	2,970	20,037
Taber #14	5,637	8,321
Willow Creek #26	4,534	8,572
Foothills #31	9,725	15,707
Acadia #34	604	13,680
Rocky View #44	17,362	17,492
Starland #47	2,068	14,762
Kneehill #48	5,761	12,387
Provost #52	2,611	17,952
Wainwright #61	3,837	15,600
Bonnyville #87	9,407	6,899
Sturgeon #90	13,682	11,867
Westlock #92	7,059	5,706
Smoky River #130	2,858	5,582
Spirit River #133	891	6,733
Peace #135	1,520	9,526
Fairview #136	1,889	10,448
AVERAGE		$11,572

IMPROVEMENT DISTRICTS		1983 EQUALIZED ASSESSMENT PER CAPITA
No. 1	5,029	$36,809
No. 4 (Includes S.D. #4233)	176	24,305
No. 6	119	155,553
No. 7	1,258	5,041
No. 8	1,268	38,811
No. 9 (Includes S.D. #102 & S.D. #1063)	6,949	23,056
No. 10	9,201	19,018
No. 12 (Includes S.D. #3063)	3,970	12,686
No. 13	36	3,787
No. 14	9,238	17,870
No. 15	2,670	33,812
No. 16	5,350	27,608
No. 17	11,699	15,462
No. 18	9,605	47,316
No. 19	1,757	9,344
No. 20	3,000	6,609
No. 21	2,936	7,622
No. 22	4,250	8,611
No. 23	5,837	9,400
No. 24	188	424
AVERAGE		$25,157
SPECIAL AREAS	6,042	$27,489

APPENDIX I

Illustration of Electric Power and Pipeline Assessments





TWP.49 - RNG.8 - W5MER.
SAMPLING SHOWING
WELLS AND FLOW LINES

COUNTY OF PARKLAND MAP ILLUSTRATING ELECTRIC POWER AND PIPELINE ASSESSMENTS

LEGEND:

- PIPELINES OVER 4 DIAMETER
- THERMAL ELECTRIC PLANT
- ELECTRICAL TRANSMISSION LINES
- SUBSTATION SITE
- SCHOOL DISTRICT WITH OWN AUTHORITY
- FLOW LINES (SHOWN ON INSET ONLY)
- WELLHEAD (SHOWN ON INSET ONLY)

NOTE: SOME ITEMS MAY NOT BE EXACTLY AS SHOWN